



MONTANA  
TELECOMMUNICATIONS  
ASSOCIATION

December 12, 2011

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

RE: WC Docket No. 11-42. *Lifeline and Link-Up Reform and Modernization*

Dear Ms. Dortch,

The Montana Telecommunications Association (MTA) respectfully submits the following proposal to contain the skyrocketing growth in the Lifeline Program while continuing to make Lifeline support available to as many eligible recipients as possible. MTA supports current efforts to mitigate rampant growth, as well as waste, fraud and abuse through initiatives aimed at eliminating duplicate support. We believe that additional measures can be adopted to contain the growth of Lifeline support and promote continued delivery of Lifeline support to eligible consumers.

The out-of-control growth of the Lifeline Program threatens the integrity of the entire Universal Service Program. The Lifeline Program has grown from an average of less than \$650 million from 2000 through 2005 to \$535 million in the 1<sup>st</sup> Quarter of 2012 alone (\$2.14 billion annually). At its current growth rate, Lifeline support will exceed the size of the Schools & Libraries Program by the 2<sup>nd</sup> Quarter of 2012. The Universal Service Administrative Company (USAC) has determined that fewer than 50% of eligible Lifeline consumers currently receive Lifeline support. Thus, the Lifeline Program easily could exceed \$4 billion if it reaches 100 percent of eligible Lifeline consumers. Essentially all of the growth in Lifeline support is attributable to the designation of wireless providers as Competitive Eligible Telecommunications Carriers (CETCs) for purposes of receiving Lifeline support only. (See Attachments 1-3 accompanying this filing.) Such growth doesn't even account for expanding Lifeline support to include broadband service or broadband adoption programs, as some propose.

If policymakers intend to impose an \$8 billion budget on all Universal Service programs combined,<sup>1</sup> the growth of Lifeline support will come at the expense of

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<sup>1</sup> MTA notes that the Universal Service Fund already exceeds \$9 billion if one includes the astronomical growth of Lifeline support, currently projected to exceed \$2.2 billion in 2012.

other vital Universal Service programs, putting investment in high cost broadband deployment in peril, and risking less support for affordable access to advanced telecommunications services by schools, libraries and health care providers alike.

Currently wireless Lifeline CETCs receive the identical amount of Lifeline support as wireline ETCs. It is reasonable to speculate that the amount of support that these wireless ETCs receive more than sufficiently recovers any costs associated with their providing Lifeline service.<sup>2</sup> In this regard, the Lifeline support mechanism resembles the “identical support” mechanism which the Commission eliminates in its Transformation Order.<sup>3</sup>

MTA recommends that the Commission modify the Lifeline Program to implement a cost-based support mechanism for wireless Lifeline CETCs. The current Lifeline support mechanism was developed for a wireline environment; it is apparent that it is not “reasonably calculated to be sufficient but not excessive” for purposes of determining an appropriate level of support for wireless Lifeline CETCs. Since “identical Lifeline support” may over-compensate prepaid wireless carriers, as demonstrated by the rapid entry of such carriers into the program, MTA recommends that the Commission: 1) seek sufficient financial data from wireless Lifeline CETCs to determine what it actually costs such CETCs to provide Lifeline service, and 2) base Lifeline support on Lifeline CETCs’ actual costs of providing Lifeline service. The Commission could define Lifeline service in this context as the provision of a certain amount of free or reduced-cost minutes per month per eligible recipient.

Alternatively, the Commission could establish a Lifeline support ceiling of \$1 per month per eligible customer, with a rebuttable presumption that such an amount is sufficient to cover prepaid wireless providers’ costs. Lifeline CETCs could be given the opportunity to appeal such a support level by filing detailed financial information demonstrating that \$1 is insufficient to provide a level of service as

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<sup>2</sup> The rush of prepaid wireless providers into the Lifeline market leads MTA to believe that “identical Lifeline support” provides a financial incentive for prepaid wireless providers to enter the market.

<sup>3</sup> *In the Matter of* Connect America Fund (WC Docket No. 10-90); National Broadband Plan for Our Future (GN Docket No. 09-51); Establishing Just and Reasonable Rates for Local Exchange Carriers (WC Docket No. 07-135); High-Cost Universal Service Support (WC Docket No. 05-337); Developing an Unified Intercarrier Compensation Regime (CC Docket No. 01-92); Federal–State Joint Board on Universal Service (CC Docket No. 96-45); Lifeline and Link-Up (WC Docket No. 03-109); Universal Service Reform—Mobility Fund (WT Docket No. 10-2008). FCC 11-161. Released: November 18, 2011. In eliminating the identical support rule CETCs, the Commission states that “[t]he support levels generated by the identical support rule bear no relation to the efficient cost of providing mobile voice service in a particular geography...” ¶504 “...[W]e find that the identical support rule does not provide an amount to any particular carrier that is reasonably calculated to be sufficient but not excessive for universal service purposes.” ¶510.

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defined by the Commission, and providing information that supports an alternative amount of cost-based support.

MTA concludes that by saving \$9 per eligible Lifeline consumer per month, the Program could reach more consumers while not pushing the Lifeline Program or other Universal Service programs to unsustainable levels.

MTA is happy to discuss this proposal in greater detail at the Commission's convenience.

Respectfully submitted,

/s/

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